

**MINUTES OF THE  
EXECUTIVE APPROPRIATIONS COMMITTEE**

Tuesday, June 14, 2016 – 2:00 p.m. – Room 445 State Capitol

**Members Present:**

Sen. Lyle W. Hillyard, Co-Chair  
Rep. Dean Sanpei, Co-Chair  
Sen. Jerry W. Stevenson, Vice Chair  
Rep. Brad L. Dee, Vice Chair  
Sen. J. Stuart Adams  
Sen. Jim Dabakis  
Sen. Gene Davis  
Sen. Luz Escamilla  
Sen. Peter C. Knudson  
Sen. Karen Mayne  
Sen. Ralph Okerlund  
Rep. Patrice M. Arent  
Rep. Joel K. Briscoe  
Rep. Rebecca Chavez-Houck

Rep. James A. Dunnigan  
Rep. Francis D. Gibson  
Speaker Gregory H. Hughes  
Rep. Brian S. King  
Rep. Brad R. Wilson

**Members Excused:**

President Wayne L. Niederhauser

**Staff Present:**

Mr. Jonathan Ball, Legislative Fiscal Analyst  
Mr. Steven Allred, Deputy Director  
Ms. Greta Rodebush, Legislative Secretary

**Note:** A copy of related materials and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

**1. Call to Order/Approval of Minutes**

Co-Chair Hillyard called the meeting to order at 2:40 p.m.

**MOTION:** Rep. Sanpei moved to adopt the minutes of May 17, 2016. The motion passed unanimously with Sen. Dabakis and Sen. Escamilla absent for the vote.

**2. Federal/Non-federal Grants Review**

Mr. Gary Syphus, LFA, Fiscal Analyst, informed the committee that the Governor's Office was reviewing the annual state match for the new federal grant for CCJJ, "STOP Violence Against Women Formula Grant Program," and would resubmit the grant for approval in July. He recommended that the grant be stricken from the report.

Mr. Ken Matthews, Federal Assistance Management Officer, Governor's Office of Management and Budget (GOMB), presented the "Federal and Non-Federal Grants Report" dated June 14, 2016.

Under federal grants, there were eight new grants and two continuations/reapplications requiring legislative action. The Governor's Office approved six new grants and two continuations/reapplications.

Under non-federal grants, there was one new grant requiring legislative action. The Governor's Office approved two new grants.

Rep. Chavez Houck asked if the services provided through the STOP Violence Against Women Formula Grant Program would be interrupted if the grant were to be reviewed at a future date. Mr. Matthews explained that the funding for this grant would not be available for several months; therefore, approving the grant this month or next month would not affect services.

**MOTION:** Rep. Sanpei moved to recommend acceptance of the federal and non-federal grants as outlined on page 1 of the handout entitled, “Federal/Non-Federal Grants Review and Approval” under the heading, “Grants Requiring EAC Review and Recommendation” and dated today, June 14, 2016, with one exception: Strike item #3, “STOP Violence Against Women Formula Grant Program.” The Executive Appropriations Committee will review this grant again at a future date. The motion passed unanimously with Sen. Escamilla absent for the vote.

### 3. Revenue Update

Dr. Andrea Wilko, Chief Economist, LFA, and Dr. Thomas Young, Senior Economist, LFA, presented “Revenue Update” for June 2016. Report highlights include the following:

*Based on current collections and updated economic indicators, FY 2016 General and Education Fund revenues will be in the range of \$100.0 million below to \$85.0 million above May EAC targets. The mid-point of this range is \$15.0 million below projections.*

*The General Fund is expected to end FY 2016 between \$35.0 million below to \$50.0 million above the May target. The weakness in the General Fund is due to slow sales tax growth and weak severance tax collections.*

*The Education Fund is expected to end FY 2016 within a range of \$65.0 million below to \$35.0 million above the May target. The largest factor behind the income tax weakness is the higher than expected income tax refunds. Corporate taxes are also weaker than anticipated. Withholding taxes may pick up towards the end of the year.*

*Transportation Fund revenue growth is fairly strong due to lower gas prices and the increase in gas taxes.*

Dr. Wilko also discussed the economic indicators, which show positive growth in employment and wages in most sectors of the economy. Dwelling unit permits and residential permits are expected to increase significantly. Residential permit values are expected to reach \$4.3 billion in 2016 and \$4.1 billion in 2017. Housing prices continue to grow by 5.8 percent in 2016 and 3.7 percent in 2017.

Dr. Young discussed industry specific issues related to oil and gas prices. The downturn in oil and gas prices has depressed economic conditions in areas that are reliant on these natural resources. Less investment in oil and gas activity has also led to cutbacks and layoffs.

Dr. Young stated that one of the positive points in the economy is construction. He also noted a current shift from single family homes to multi-family homes, which is partially due to a relatively weaker job market for Millennials. Dr. Young briefly discussed the bar graph, “Building Permits by City by % of Total Single-Family” to show the change in concentration of new single-family home construction by city in 2016 as compared to 2006 and 2015. There were significantly more single family dwelling permits across the State in 2006 than there were in 2016.

Dr. Young also discussed the economic outlook in terms of the upside and downside risks. On the upside, with a broadening economic recovery, Millennials may gain greater employment opportunities, which could increase the demand for single family homes and in turn, boost economic growth. With the recent rise in resource prices, business investment could boost revenues. In addition, competition for labor could reignite wage growth, which will also affect employment and revenue in Utah.

On the downside, interest rates are the lowest they have ever been; decelerating growth in China could weaken Utah's economic growth; negative feedback from weak equity markets could affect overall business conditions; consumer and businesses could lose confidence; world markets are vulnerable to black swan events; and U.S retail and corporate profits are weak and possibly pre-recessionary.

Dr. Young commented that revenue collections to date are below target. The midpoint of revenue picture is \$15.0 million below the May target. He stated however, that the economy is still growing but not as quickly as had been expected.

#### **4. Fiscal Health Check-up**

Ms. Clare Tobin Lence, Fiscal Analyst, LFA, presented the June Fiscal Health Check-up, which covered the Revenues and Expenditures sections of the [Fiscal Health Dashboard](#). She also reviewed how to interpret the dashboard indicators and discussed the potential impact of revenue surpluses or deficits given expenditure trends.

To date, \$2 billion has been collected into the General Fund (GF) for FY 2016, which is a 0.1 percent increase over this point in time last year. Collections to the Education Fund (EF) are up 4.2 percent compared to this point last year but the gauge, which compares current year-to-date collections with year-to-date collections at this point last year, shows that we are slightly under-collecting into the EF. These figures underscore today's Revenue Update projections, which show that GF/EF collections will be higher than last year and that the economy is growing but not at the rate that was expected.

Ms. Lence also discussed the Expenditures section of the Dashboard and identified underlying reasons for expenditure trends in the budget areas of Public Education, Higher Education, Medicaid, Criminal Justice, and Transportation. She reported that overall, expenditures are not likely to exceed appropriations and in many cases, state agencies are spending at a slower rate than we would expect.

In her presentation on expenditures, Ms. Lence also highlighted a number of issues related to non-state funds and balances. She showed how historical spending in Higher Education looked quite different from Public Education. The reason for this is that the reported amount does not include tuition. Ms. Lence suggested that the committee may wish to consider requiring more frequent reporting of expenditures by higher education institutions.

#### **5. Tobacco Settlement Revenue Collections**

Mr. Russell Frandsen, Fiscal Analyst, LFA, presented the Issue Brief, "[Tobacco Settlement Funds](#)."

Mr. Frandsen reported that receipts for the Tobacco Settlement Restricted Account will likely be lower than appropriations by the following amounts: \$1,557,300 or 7 percent in FY 2016, \$1.5 million or 6 percent in FY 2017, and \$8.0 million or 34 percent ongoing beginning in FY 2018. To illustrate where potential reductions are like to occur, he referred to the "Uses of Tobacco Settlement Restricted Account" tables for fiscal years 2016, 2017 and 2018 on pages 3 and 4 of the Issue Brief.

Mr. Frandsen noted that the Legislature has at least five options to respond to this situation, ranging from “do nothing” to hold harmless with other revenue.

Sen. Mayne remarked that monies in the account are dwindling and will continue to do so. She asked how program reductions would be handled. Mr. Frandsen indicated that most changes would require a bill file.

Co-Chair Hillyard inquired about the possibility of using the interest earnings from the endowment that currently go to the General Fund to offset the anticipated short falls in the Tobacco Settlement Restricted Account. Mr. Ball, referring to the table on page 2, indicated that not enough is earned on endowment balances to cover the shortfalls in the Tobacco Settlement Restricted Account.

## **6. State Homeless Coordinating Committee Report**

Ms. Kathy Bounous, General Counsel, Director Legislative Affairs, Department of Workforce Services, presented “[Proposed Awards from Homeless to Housing Account](#).”

Ms. Bounous reported that on May 11, 2016, the State Homeless Coordinating Committee (SHCC) met and voted to approve five awards for consideration of the Legislative Management Committee and the Executive Appropriations Committee. In addition, the Housing and Community Development Division (HCD) within the DWS concurred with the five awards.

The five awards include funding for the operational costs of the Midvale Family Shelter year round as well as grant for infrastructure improvements; programming, pre-architectural needs, staffing and ancillary costs related to the selection of two new shelters; and a grant for a peace officer for the homeless.

Ms. Bounous pointed out that there were some remaining funds in the Homeless to Housing Reform Restricted Account. With the remaining \$1.05 million (TANF), the SHCC has authorized the HCD to issue a request for grants statewide.

Ms. Bounous talked about site selections and public input. She reiterated that the SHCC’s goal is to reduce the amount of homelessness in Utah.

Speaker Hughes spoke on the need to create a different environment for single moms and families with children who are homeless.

Rep. Chavez-Houck inquired about the status of a needs assessment associated with her data bill. Ms. Bounous said that the Homeless Coordinating Council was overseeing the needs assessment which should be completed by October 2016 and presented to the Social Services Appropriations Subcommittee.

Sen. Mayne asked if the two new sites are enough to accommodate the homeless. Ms. Bounous responded that the two sites should take care of immediate needs.

Rep. Gibson commented that the intent of H.B. 436 was to alleviate homelessness and encourage self-sufficiency.

Rep. Dee talked about the importance of eliminating intergenerational poverty.

Co-Chair Hillyard said that ultimately the homeless need a place they can go to and get out of. He noted that the number of homeless individuals is growing.

**MOTION:** Rep. Sanpei moved to recommend acceptance of the proposed awards from the Homeless to Housing Reform Restricted Account as presented to us today. The motion passed unanimously with Sen. Davis, Rep. Dunnigan, and Rep. King absent for the vote.

## **7. Transition Plan for USOR to DWS**

Mr. Stephen Jardine, Fiscal Analyst, LFA, provided some background information regarding the transition plan to move the Utah State Office of Rehabilitation (USOR) to the Department of Workforce Services (DWS).

Mr. Jardine explained that to ensure the successful transition, H.B. 325, "Office of Rehabilitation Services Amendments" passed in the 2016 General Session created the Office of Rehabilitation Transition Restricted Account. The Legislature made a one-time appropriation of \$26.7 million in state funding into the account and set the transition date as October 1, 2016.

Mr. Greg Paras, Deputy Director, DWS, presented the "[Transition Plan Report](#)." He discussed the elements of the report that included: transition timeline, communication efforts, budget and finance, facilities, and technical support.

Mr. Darren Brush, Executive Director, USOR, discussed some of the guiding principles of the transition plan that included: protecting existing services and programs, maintaining access and delivery models for services, and completing accounting functions related to federal fund transfers. He also pointed out that DWS has no plans to change the actual salary rates or the standard state employee benefits package. Finally, DWS will establish a positive employee culture beyond transition and visit all USOR and DWS locations.

Rep. Briscoe wanted to know how the transition plan impacts the waiting list for people who receive services. Mr. Brush explained in greater detail the waiting list and plans to move individuals off the waiting list in a judicious manner. There are about 4,000 people on the waiting list.

Rep. Chavez-Houck asked about the realization of efficiencies and obtaining an organizational chart. Mr. Brush was optimistic that the transition would result in savings but the determination of those savings would take some time. Mr. Paras said that he would provide Rep. Chavez-Houck with an organizational chart.

Mr. Parras indicated that the transition plan is posted online at [jobs.utah.gov/osortransition](http://jobs.utah.gov/osortransition).

## **8. DTS Implementation Plan for Justice Reinvestment Databases**

Mr. Brian Wikle, Fiscal Analyst, LFA, explained that during the 2016 General Session, the Legislature appropriated \$2.0 million one-time to the Department of Technology Services (DTS) to plan, scope, design, and begin implementing an integrated data system that would coordinate services for vulnerable populations. To date, the department has begun to meet with relevant state agencies and local entities to plan this system.

Mr. Mike Hussey, DTS, stated that DTS has worked with GOMB, the Departments of Human Services, Corrections, and Workforce Services, CCJJ, and others to identify the challenges they have in collaborating information to help with the homeless, mental illness, and substance abuse populations in the State. DTS also met with Rep. Hutchings to ascertain the direction he saw in this effort as well as the Association of Counties to better understand the difficulties they have with sharing information.

Mr. Hussey said that GOMB has conducted a criminal justice information system review which will help with understanding the information flow through these systems. DTS has also looked at systems in other states, identified some secondary data sources, and met with vendors. DTS will receive funding on July 1 and hire a manager to coordinate the project.

## **9. Conservation Commission Report on Changes, Goals, and Performance**

Mr. Ivan Djambov, Fiscal Analyst, LFA, presented the Issue Brief, "[New Conservation Commission Employees](#)," which provides background information about the Department of Agriculture and Food's hiring of 35 FTEs from the Utah Association of Conservation Districts (UACD) in FY 2016.

A legislative audit released in 2014 recommended changes in how the State manages the 38 Conservation Districts. Subsequently, in 2015 the department decided to no longer contract for conservation efforts through the UACD. Instead, the department hired UACD staff (35 FTEs) and used the department's Conservation Commission to manage them.

The Legislature appropriated about \$1.0 million from the General Fund for FY 2016 and \$500,000 from the Agriculture Resource Development Loan (ARDL) Fund for FY 2017. These monies were in addition to the approximately \$1.0 million ongoing appropriation from the General Fund that the department used to contract for conservation efforts with UACD.

Mr. Djambov explained that initially it was presumed that the transfer of the 35 FTEs would be cost neutral. He identified some of the reasons why the Legislature had to appropriate more money, which included using one-time money to pay for ongoing commitments to start a Zone Coordinator pilot project and hire three FTEs. UACD also compensation increases prior to transferring to the State.

Mr. Djambov indicated that the department has been in the process of hiring and training UACD staff since the start of FY 2016. Department leadership has reported that several of the newly-hired employees have already left their employment with the State for various reasons.

Ms. LuAnn Adams, Commissioner, Utah Department of Agriculture and Food (UDAF), provided some background information on the creation and purpose of the 38 Conservation Districts. She reported on the department's goals, plans, and performance measures, and commented on the high turnover rate of the former UACD employees. She talked about the impact that the uncertainty of funding has on full-time employees; the difference in management styles and accountability; changing from a step system to a merit pay system; and the need for constant training associated with high turnover.

Ms. Adams requested that the employees be fully funded, full-time, with ongoing money from the General Fund for next year. She said that the department plans to evaluate every position and will continue to look for efficiencies and measure performance.

Sen. Okerlund stated that these conservation districts provide a great service in making sure there is water. He said that it would be important to have an ongoing source of revenue for these positions.

Rep. Sanpei remarked that it is difficult to make an appropriation after having already committed to an expense. This sets a bad precedence.

Co-Chair Hillyard asked how much ongoing revenue was needed to fully fund these employees. Mr. Adams responded about \$500,000 to \$600,000.

Rep. Gibson felt that it would be more important for the department to report on the savings they find before the Legislature appropriates any money. Ms. Adams stated that the department is still working on the fourth quarter numbers and will plan on reporting their findings to the Natural Resources, Agriculture, and Environmental Appropriations Subcommittee in the future.

#### **10. Finance/Board of Education Implementation Plan for FINET Grants Module**

Ms. Jill Curry, Fiscal Analyst, LFA, remarked that during the 2016 General Session, the Legislature appropriated \$50,000 ongoing and \$500,000 one-time in FY 2017 to the Division of Finance to purchase and administer a grants management module that will be used by the division and the State Board of Education to track federal funding awards.

Mr. John Reidhead, Director, Division of Finance, reported that the division has met with GOMB, LFA, and the State Board of Education to discuss how to move forward with the project. In May, the division issued a Request for Information through State Purchasing and received at least 10 responses from vendors who will be demonstrating their systems next week. Following the demonstrations, the division will meet with other stakeholders, gather additional information, and develop a Request for Proposal.

Mr. Reidhead commented that there are a lot of perspectives on how grants should be managed and there are different needs that have to be met, but the goal is to come up with one system that all agencies can use that will be beneficial to the State in managing federal grants.

#### **11. Board of Education Implementation Plan for Statewide Digital Teaching/Learning**

Ms. Curry explained that during the 2016 General Session, the Legislature appropriated \$220,000 one-time in FY 2016 and \$10,040,000 ongoing and \$3,580,000 one-time in FY 2017 to the State Board of Education to establish a grant program to improve technology access in public schools through IT infrastructure, devices, and professional development for teachers.

Mr. Dave Thomas, Vice Chair, State Board of Education, presented the Board's preliminary plans for implementing the statewide digital teaching and learning program as outlined in the Power Point presentation, "[Digital Teaching and Learning Framework](#)," behind Tab 11.

Mr. Thomas introduced Ms. Sara Young, Coordinator, Digital Teaching and Learning Grant Program.

Mr. Thomas provided some background information about the statewide master plan and the subsequent passage of House Bill 277 (2016 General Session). He reviewed the implementation timeline that included the release of a grant planning template, eight boot camps across the state, and grant submission, approval, and final award dates. Mr. Thomas expects that the Board will come back to the Legislature for additional ongoing money as the program becomes more robust.

**12. Other Business/Adjourn**

**MOTION:** Rep. Sanpei moved to adjourn. The motion passed unanimously with Sen. Adams, Sen. Dabakis, Sen. Escamilla, Rep. Briscoe, Rep. Chavez-Houck. Rep. Dee, and Rep. Dunnigan absent for the vote.

Co-Chair Hillyard adjourned the meeting at 4:35 p.m.